

Message Text

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13

ACTION EB-07

INFO OCT-01 AF-04 EUR-12 IO-10 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-01 H-01 INR-05 INT-05

L-02 LAB-01 NSAE-00 NSC-05 PA-01 RSC-01 AID-05

CIEP-01 SS-15 STR-01 TAR-01 TRSE-00 USIA-06 PRS-01

SP-02 OMB-01 SWF-01 /097 W
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R 201702Z NOV 74

FM AMEMBASSY PRETORIA

TO SECSTATE WASHDC 915

INFO USEC BRUSSELS 91

AMCONSUL CAPE TOWN

AMCONSUL DURBAN

USMISSION GENEVA

AMCONSUL JOHANNESBURG

LIMITED OFFICIAL USE PRETORIA 5033

CAPE TOWN FOR EMBASSY

E.O. 11652: N/A

TAGS: GATT, ETRD, SF

SUBJECT: SOUTH AFRICAN LOCAL CONTENT REQUIREMENT
ON AUTOMOBILES

REF: (A) STATE 234218

(B) STATE 252295

(C) PRETORIA 4964

1. MINISTER FOR ECONOMIC AFFAIRS (HORWOOD) HAS ANNOUNCED THAT
LOCAL CONTENT SCHEME WILL BE APPLIED AS SCHEDULED. TO BENEFIT
FROM SCHEME, AUTOMOBILE MANUFACTURERS MUST HAVE 62 PCT LOCAL
CONTENT IN 1975, 64 PCT IN 1976 AND 66 PCT IN 1977.

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2. COMMENT: HORWOOD STATEMENT LEADS US TO SHARE DOUBT EXPRESSED

REF A THAT SAG INTENDS REDUCE LOCAL CONTENT REQUIREMENT TO 52 PCT AS AGREED IN US/SA ARTICLE XXVIII NEGOTIATIONS. WE HAVE, HOWEVER, BEEN ASSURED (REF C) THAT AGREEMENT STANDS. THIS APPARENT CONTRADICTION EXPLICABLE IF HORWOOD REFERRING ONLY TO EXCISE REBATE, NOT TARIFFS. HE DID NOT SPECIFY WHICH INTENDED, BUT EXCISE TAX MORE IMPORTANT THAN TARIFF AND, JUDGING BY CONVERSATION WE HAD WITH CHRYSLER TODAY, INDUSTRY THINKS OF PROGRAM AS AN EXCISE MATTER. THUS LOCAL CONTENT REQUIREMENT FOR TARIFF REBATE COULD BE REDUCED TO 52 PCT AS AGREED WITHOUT AFFECTING HEART OF SCHEME, I.E., REBATES OF EXCISE DUTIES ON CARS HAVING NO LESS THAN 62 PCT (1975) LOCAL CONTENT.

3. THIS ALSO MAKES US WONDER IF WH HAVE GAINED ANYTHING ON THIS POINT IN THE ARTICLE XXVIII NEGOTIATIONS. IF EXCISE REBATE IS ENOUGH TO FORCE ALL MANUFACTURERS TO USE 62 PCT LOCAL PARTS, AS SEEMS TO BE THE CASE, THE LOWER PERCENTAGE TO APPLY TO TARIFFS WOULD SEEM TO BE WITHOUT EFFECT. THIS WOULD ALSO EXPLAIN SAG'S WILLINGNESS TO REDUCE TARIFF REQUIREMENT TO 52 PCT AS AGREED WITH U.S. SINCE EXCISE SCHEME WOULD, BY ITSELF, ACHIEVE GOAL OF HIGHER LOCAL CONTENT. END COMMENT.
HURD

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